

Judiciary Committee Public Hearing

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Testimony

By

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Co-Chairs, Ranking Members and Members of the Committee, my name is Mohamed Hussein. I am a professor and head of the accounting department and the faculty director of the Office of Diversity Initiatives and the Teenage Business Program in the School of Business at the University of Connecticut. Thank you for giving me the opportunity to testify today in favor of *Senate Bill 1127, An Act Concerning the Applicability of Certain State Contracting Non-Discrimination Requirements*.

I would like to state that we in the School of Business are in agreement with Dr. Feldman's statement that UConn supports the goal of PA 07-142 to end discriminatory employment practices. In the School of Business we teach and practice diversity and inclusiveness. We have also been working hard with our external constituencies including vendors and employers to ensure that they follow nondiscriminatory policies and practices. However, in our efforts with our database suppliers we met with resistance to the procedures requiring board decisions rather than resistance to meeting the goals of the law. Our efforts are hampered because most of our data base suppliers are sole source suppliers who charge us discounted prices; thus our business represents an insignificant portion of their total revenue. As our discussions continue with many of these suppliers, several contracts expired and some are about to expire. The results were that we lost access to some databases, and we are at risk of losing others. These databases are critical to the School's ability to fulfill its teaching and research missions. Please allow me to use two suppliers to illustrate the problem and then discuss the expected impact on the School.

Bloomberg Database

The Finance Department had a long-standing contract with Bloomberg, which provides faculty and students internet access to market and historical data services provided by Bloomberg L.P. The Bloomberg system for accessing market information and analyzing securities and portfolios is the "gold standard" of the finance industry. Bloomberg provides information on equity securities, fixed-income securities, commodities trading and futures markets as well as a wide array of derivative securities. Because of its unique position in the marketplace, the Bloomberg system is one of the very few sources for accurate pricing information on securities traded in the over-the-counter (OTC) markets (e.g., most fixed income securities) and newly emerging securities such as credit-default swaps and other derivatives.

The system has been used in the teaching of undergraduate and graduate classes to demonstrate markets and securities analysis, and by the undergraduate and graduate managers of the student managed fund to analyze their investment decisions and by individual students to become "Bloomberg Certified" by taking and passing online tutorials. The detailed information provided by the Bloomberg system on pricing securities—especially over-the-counter securities such as fixed-income and derivatives—is a valuable research tool. In recent years, we had two Ph.D. students who used Bloomberg data as part of their dissertations. Several faculty members also use the terminal to obtain needed data for research.

Our Bloomberg contract was not renewed when it expired in June, 2008. Bloomberg has a standard form contract which does not address the state law. Bloomberg is not willing to modify its contract

form. We do not have leverage because Bloomberg has 250,000 subscribers paying \$18,000 a year compared to our discounted price of \$8,100. Consequently, we are unable to continue to subscribe to this valuable financial tool.

WRDS (Wharton Research Data Services)

WRDS provides an internet-based interface with numerous databases, including Compustat and CRSP. WRDS provides multiple ways for researchers to access the data and provides further enhancements of the data to facilitate merging. The interface and expertise provided by WRDS is not replicable, and as such WRDS is a sole source provider. Our contract was scheduled to expire on March 15th, 2009. A personal appeal by Dean Christopher Earley, the Dean of the Business School, to the Dean of the Wharton School bought us some time until we can come up with a resolution.

The loss of these services and several others where contracts are scheduled to expire in the near future can have the following impact:

Impact on Faculty

Faculty Research: Within the accounting and finance departments, nearly every tenure track faculty member has at least one research project in progress (and most have many more) that must be abandoned, unless he/she can find a co-author at another university that has access to the databases to join the paper and agrees to perform all of the data-related work.

Faculty Recruiting and Retention: Given the standards of tenure and promotion, as well as the research and educational missions of the School, it would be impossible to recruit, and retain, faculty in accounting and finance without the databases. All universities from which UConn recruits faculty and targets for placement of PhD students have these databases. A survey of the untenured faculty at Storrs in accounting and finance confirms this: none of them would have accepted our offers if the databases were not available on WRDS.

Impact on PhD Students

PhD Student Research. A PhD student must produce an independent dissertation and cannot rely on a co-author from another school to obtain data for a dissertation. Thus, all PhD students using any of these databases for their dissertations will have to transfer to other universities to complete their degrees. This would subject them to great hardships and delay their graduation.

We are currently in the process of evaluating applications for admission. Access to the databases is essential to the operation of our PhD program since we specialize in empirical archival research. The current group of applicants to the UConn accounting and finance PhD Program are also applying to the following schools: Bentley, Boston University, Drexel, Michigan State University, Penn State, Temple, University of Arizona, University of Colorado, University of Florida, University of Illinois, University of Iowa, University of North Carolina, University of Oregon, University of Pittsburgh, University of Rochester, and the University of South Carolina. All of these schools have the databases that we are at risk of losing.

Impact on Undergraduate and Masters Education

WRDS is currently used in several undergraduate and masters level classes because its interface allows students to easily obtain data from various sources for analysis. Without WRDS, and its ease of use, it would be nearly impossible to use these databases in the classroom. Over the past few years WRDS has been used by a number of our undergraduate Honors students in their senior theses. Without WRDS, classroom and undergraduate research using these databases would be eliminated.

Impact on Accreditation Requirements

The School of Business will be evaluated for maintenance of AACSB accreditation in 2010. The AACSB standards require that the school provides resources to its faculty sufficient to achieve its mission. The School's mission statement declares: "The School's goal for the next decade is to gain recognition for our

ability to generate top-quality academic research on global business problems and for our ability to have real impact on business practice and education.” In accounting and finance top-quality academic research depends on the availability of financial and economic data that is available through few databases suppliers.

Thank you for giving me the opportunity to address you on behalf of the School of Business. I hope I have provided sufficient evidence to you of the potentially disastrous consequences of the loss of these services.

